

104TH CONGRESS
1ST SESSION

S. 568

To provide a tax credit for families, to provide certain tax incentives to encourage investment and increase savings, and to place limitations on the growth of spending.

IN THE SENATE OF THE UNITED STATES

MARCH 16, 1995

Mr. COATS (for himself, Mr. GRAMS, Mr. CRAIG, Mr. LOTT, Mr. BROWN, Mr. MCCAIN, Mr. KYL, Mr. INHOFE, Mrs. HUTCHISON, and Mr. GRAMM) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide a tax credit for families, to provide certain tax incentives to encourage investment and increase savings, and to place limitations on the growth of spending.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Family, Investment, Retirement, Savings, and Tax Fair-
7 ness Act of 1995”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this Act an amend-
 3 ment or repeal is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered to be made to a section or other provi-
 6 sion of the Internal Revenue Code of 1986.

7 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—FAMILY TAX CREDIT

Sec. 101. Family tax credit.

TITLE II—REDUCING THE COST OF CAPITAL BY REDUCING CAP- ITAL GAINS TAX RATES AND INDEXING THE BASIS OF CER- TAIN ASSETS

Sec. 201. Reduction in individual capital gains rate.

Sec. 202. Reduction in corporate capital gains rate.

Sec. 203. Reduction of minimum tax rate on capital gains.

Sec. 204. Indexing of certain assets for purposes of determining gain or loss.

Sec. 205. Indexing of limitation on capital losses of individuals.

Sec. 206. Effective dates.

TITLE III—NEUTRAL COST RECOVERY

Sec. 301. Depreciation adjustment for certain property placed in service in tax-
able years beginning after December 31, 1994.

Sec. 302. Special depreciation rules applicable under the adjusted current earn-
ings provisions of the minimum tax.

TITLE IV—INCREASING NATIONAL SAVINGS THROUGH INDIVID- UAL RETIREMENT PLUS ACCOUNTS, INDEXING FOR INFLATION THE INCOME THRESHOLDS FOR TAXING SOCIAL SECURITY BENEFITS, ETC.

Sec. 401. Establishment of individual retirement plus accounts.

Sec. 402. Inflation adjustment of income thresholds for taxation of social secu-
rity benefits; income from individual retirement plans excluded.

Sec. 403. Inflation adjustment of maximum amount of IRA deduction.

TITLE V—CAP ON FEDERAL SPENDING AND ESTABLISHMENT OF COMMISSION TO REDUCE FEDERAL SPENDING

Sec. 501. Establishment.

Sec. 502. Duties of Commission.

Sec. 503. Membership and operation of Commission.

Sec. 504. Procedure for making recommendation for proposed cuts.

Sec. 505. Budget outlay reductions.

- Sec. 506. Budget outlay reductions permanent.
- Sec. 507. Additional enforcement provisions.
- Sec. 508. Compliance report by Comptroller General.
- Sec. 509. Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985 to limit Federal spending.
- Sec. 510. Definitions.

TITLE VI—ELIMINATION OF SOCIAL SECURITY EARNINGS TEST

- Sec. 601. Elimination of social security earnings test.

1 **TITLE I—FAMILY TAX CREDIT**

2 **SEC. 101. FAMILY TAX CREDIT.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-
 4 chapter A of chapter 1 is amended by redesignating sec-
 5 tion 35 as section 36 and by inserting after section 34
 6 the following new section:

7 **“SEC. 35. FAMILY TAX CREDIT.**

8 “(a) GENERAL RULE.—In the case of an eligible indi-
 9 vidual, there shall be allowed as a credit against the tax
 10 imposed by this subtitle for the taxable year an amount
 11 equal to \$500 multiplied by the number of qualifying chil-
 12 dren of the taxpayer who have not attained the age of 18
 13 as of the close of the calendar year in which the taxable
 14 year of the taxpayer begins.

15 “(b) LIMITATION BASED ON AMOUNT OF TAX.—The
 16 credit allowed by subsection (a) for a taxable year shall
 17 not exceed the excess (if any) of—

18 “(1) the sum of—

19 “(A) the tax imposed by this subtitle for
 20 the taxable year (reduced by the credits allow-

1 able against such tax other than the credits al-
2 lowable under this subpart), and

3 “(B) the taxes imposed by sections 3101
4 and 3111 on wages received by the taxpayer
5 during such taxable year, over

6 “(2) the credit allowable for the taxable year
7 under section 32.

8 “(c) INFLATION ADJUSTMENTS.—

9 “(1) IN GENERAL.—In the case of a taxable
10 year beginning in a calendar year after 1995, the
11 \$500 amount contained in subsection (a) shall be in-
12 creased by an amount equal to—

13 “(A) \$500, multiplied by

14 “(B) the cost-of-living adjustment deter-
15 mined under section 1(f)(3) for the calendar
16 year in which the taxable year begins, deter-
17 mined by substituting ‘1994’ for ‘1992’ in sub-
18 paragraph (B) thereof.

19 “(2) ROUNDING.—If any increase determined
20 under paragraph (1) is not a multiple of \$5, such
21 increase shall be rounded to the next higher multiple
22 of \$5.

23 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
24 poses of this section—

1 “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible
2 individual’ has the meaning given to such term by
3 section 32(c)(1) (determined without regard to sub-
4 paragraph (B) thereof).

5 “(2) QUALIFYING CHILD.—The term ‘qualifying
6 child’ has the meaning given to such term by section
7 32(c)(3) (determined without regard to subpara-
8 graphs (C) and (E) thereof).

9 “(3) CERTAIN OTHER RULES APPLY.—Sub-
10 sections (d) and (e) of section 32 shall apply.”

11 (b) DENIAL OF DOUBLE BENEFIT.—Subparagraph
12 (A) of section 21(b)(1) (defining qualifying individual) is
13 amended by inserting “(other than an individual described
14 in section 35(a))” after “taxpayer”.

15 (c) CONFORMING AMENDMENT.—The table of sec-
16 tions for such subpart C is amended by striking the item
17 relating to section 35 and inserting the following new
18 items:

 “Sec. 35. Family tax credit.
 “Sec. 36. Overpayments of tax.”

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 1994.

1 **TITLE II—REDUCING THE COST**
 2 **OF CAPITAL BY REDUCING**
 3 **CAPITAL GAINS TAX RATES**
 4 **AND INDEXING THE BASIS OF**
 5 **CERTAIN ASSETS**

6 **SEC. 201. REDUCTION IN INDIVIDUAL CAPITAL GAINS**
 7 **RATE.**

8 (a) GENERAL RULE.—Subsection (h) of section 1 (re-
 9 lating to maximum capital gains rate) is amended to read
 10 as follows:

11 “(h) MAXIMUM CAPITAL GAINS RATE.—

12 “(1) IN GENERAL.—If a taxpayer has a net
 13 capital gain for any taxable year, then the tax im-
 14 posed by this section shall not exceed the sum of—

15 “(A) a tax computed at the rates and in
 16 the same manner as if this subsection had not
 17 been enacted on the taxable income reduced by
 18 the net capital gain, plus

19 “(B) a tax equal to the sum of—

20 “(i) 7.5 percent of so much of the net
 21 capital gain as does not exceed—

22 “(I) the maximum amount of
 23 taxable income to which the 15-per-
 24 cent rate applies under the table ap-
 25 plicable to the taxpayer, reduced by

1 “(II) the taxable income to which
 2 subparagraph (A) applies, plus
 3 “(ii) 15 percent of the net capital gain
 4 in excess of the net capital gain to which
 5 clause (i) applies.

6 For purposes of the preceding sentence, the net cap-
 7 ital gain for any taxable year shall be reduced (but
 8 not below zero) by the amount which the taxpayer
 9 elects to take into account as investment income for
 10 the taxable year under section 163(d)(4)(B)(iii).

11 “(2) TRANSITIONAL RULE.—In the case of a
 12 taxable year which includes January 1, 1995, the
 13 amount of the net capital gain for purposes of para-
 14 graph (1) shall not exceed the net capital gain deter-
 15 mined by only taking into account gains and losses
 16 properly taken into account for the portion of the
 17 taxable year on or after such date.”

18 (b) PHASE-OUT OF PERSONAL EXEMPTIONS AND
 19 LIMITATION ON DEDUCTION OF ITEMIZED DEDUCTIONS
 20 NOT TO RESULT FROM NET CAPITAL GAIN.—

21 (1)(A) Subparagraphs (A) and (B) of section
 22 151(d)(3) (relating to phaseout of exemption
 23 amount) are each amended by inserting “modified”
 24 before “adjusted gross income”.

1 (B) Paragraph (3) of section 151(d) is amend-
2 ed by redesignating subparagraph (D) as subpara-
3 graph (E) and by inserting after subparagraph (C)
4 the following new subparagraph:

5 “(D) MODIFIED ADJUSTED GROSS IN-
6 COME.—For purposes of this paragraph—

7 “(i) IN GENERAL.—The term ‘modi-
8 fied adjusted gross income’ means adjusted
9 gross income reduced by net capital gain.

10 “(ii) TRANSITIONAL RULE.—In the
11 case of a taxable year which includes
12 January 1, 1995, the amount of the net
13 capital gain for purposes of clause (i) shall
14 not exceed the net capital gain determined
15 by only taking into account gains and
16 losses properly taken into account for the
17 portion of the taxable year on or after such
18 date.”

19 (2) Subsection (a) of section 68 (relating to
20 overall limitation on itemized deductions) is amend-
21 ed by adding at the end the following new sentence:
22 “For purposes of paragraph (1), adjusted gross income
23 shall be computed without regard to net capital gain (de-
24 termined after application of the rule of section
25 151(d)(3)(D)(ii)).”

1 (c) TECHNICAL AMENDMENTS.—

2 (1) Paragraph (1) of section 170(e) is amended
3 by striking “the amount of gain” in the material
4 following subparagraph (B)(ii) and inserting
5 “24.6/39.6 (20/35 in the case of a corporation) of
6 the amount of gain”.

7 (2)(A) The second sentence of section
8 7518(g)(6)(A) is amended by striking “28 percent
9 (34 percent in the case of a corporation)” and in-
10 serting “15 percent”.

11 (B) The second sentence of section
12 607(h)(6)(A) of the Merchant Marine Act, 1936, is
13 amended by striking “28 percent (34 percent in the
14 case of a corporation)” and inserting “15 percent”.

15 **SEC. 202. REDUCTION IN CORPORATE CAPITAL GAINS**
16 **RATE.**

17 (a) GENERAL RULE.—Section 1201 (relating to al-
18 ternative tax for corporations) is amended by redesignat-
19 ing subsection (b) as subsection (c), and by striking sub-
20 section (a) and inserting the following:

21 “(a) GENERAL RULE.—If for any taxable year a cor-
22 poration has a net capital gain, then, in lieu of the tax
23 imposed by section 11, 511, or 831(a) (whichever applies),
24 there is hereby imposed a tax (if such tax is less than

1 the tax imposed by such section) which shall consist of
2 the sum of—

3 “(1) a tax computed on the taxable income re-
4 duced by the net capital gain, at the same rates and
5 in the same manner as if this subsection had not
6 been enacted, plus

7 “(2) a tax of 15 percent of the net capital gain.

8 “(b) TRANSITIONAL RULE.—In the case of a taxable
9 year which includes January 1, 1995, the amount of the
10 net capital gain for purposes of subsection (a) shall not
11 exceed the net capital gain determined by only taking into
12 account gains and losses properly taken into account for
13 the portion of the taxable year on or after such date.”

14 (b) TECHNICAL AMENDMENTS.—

15 (1) Clause (iii) of section 852(b)(3)(D) is
16 amended by striking “65 percent” and inserting “85
17 percent”.

18 (2) Paragraphs (1) and (2) of section 1445(e)
19 are each amended by striking “35 percent” and in-
20 serting “15 percent”.

21 (3) Paragraph (1) of section 1445(e) is amend-
22 ed by striking “(or, to the extent provided in regula-
23 tions, 28 percent)”.

1 **SEC. 203. REDUCTION OF MINIMUM TAX RATE ON CAPITAL**
2 **GAINS.**

3 Section 55(b)(1) (relating to tentative minimum tax)
4 is amended by adding at the end the following new sub-
5 paragraph:

6 “(C) SPECIAL RULE FOR CAPITAL
7 GAINS.—If a taxpayer has a net capital gain for
8 any taxable year, the tentative minimum tax for
9 the taxable year is the sum of—

10 “(i) 15 percent of the lesser of—

11 “(I) the net capital gain (deter-
12 mined with the adjustments provided
13 in this part and (to the extent appli-
14 cable) the limitations of sections
15 1(h)(2) and 1201(b)), or

16 “(II) so much of the alternative
17 minimum taxable income for the tax-
18 able year as exceeds the exemption
19 amount, plus

20 “(ii) a tax computed on the amount
21 (if any) by which the excess referred to in
22 clause (i)(II) exceeds the net capital gain
23 (as so determined), at the same rates and
24 in the same manner as if this subpara-
25 graph had not been enacted.”

1 **SEC. 204. INDEXING OF CERTAIN ASSETS FOR PURPOSES**
 2 **OF DETERMINING GAIN OR LOSS.**

3 (a) IN GENERAL.—Part II of subchapter O of chap-
 4 ter 1 (relating to basis rules of general application) is
 5 amended by inserting after section 1021 the following new
 6 section:

7 **“SEC. 1022. INDEXING OF CERTAIN ASSETS FOR PURPOSES**
 8 **OF DETERMINING GAIN OR LOSS.**

9 “(a) GENERAL RULE.—

10 “(1) INDEXED BASIS SUBSTITUTED FOR AD-
 11 JUSTED BASIS.—Except as provided in paragraph
 12 (2), if an indexed asset which has been held for
 13 more than 1 year is sold or otherwise disposed of,
 14 then, for purposes of this title, the indexed basis of
 15 the asset shall be substituted for its adjusted basis.

16 “(2) EXCEPTION FOR DEPRECIATION, ETC.—
 17 The deduction for depreciation, depletion, and amor-
 18 tization shall be determined without regard to the
 19 application of paragraph (1) to the taxpayer or any
 20 other person.

21 “(b) INDEXED ASSET.—

22 “(1) IN GENERAL.—For purposes of this sec-
 23 tion, the term ‘indexed asset’ means—

24 “(A) stock in a corporation, and

25 “(B) tangible property (or any interest
 26 therein), which is a capital asset or property

1 used in the trade or business (as defined in sec-
2 tion 1231(b)).

3 “(2) CERTAIN PROPERTY EXCLUDED.—For
4 purposes of this section, the term ‘indexed asset’
5 does not include—

6 “(A) CREDITOR’S INTEREST.—Any interest
7 in property which is in the nature of a credi-
8 tor’s interest.

9 “(B) OPTIONS.—Any option or other right
10 to acquire an interest in property.

11 “(C) NET LEASE PROPERTY.—In the case
12 of a lessor, net lease property (within the mean-
13 ing of subsection (h)(1)).

14 “(D) CERTAIN PREFERRED STOCK.—Stock
15 which is preferred as to dividends and does not
16 participate in corporate growth to any signifi-
17 cant extent.

18 “(E) STOCK IN CERTAIN CORPORATIONS.—
19 Stock in—

20 “(i) an S corporation (within the
21 meaning of section 1361),

22 “(ii) a personal holding company (as
23 defined in section 542), and

24 “(iii) a foreign corporation.

1 “(3) EXCEPTION FOR STOCK IN FOREIGN COR-
2 PORATION WHICH IS REGULARLY TRADED ON NA-
3 TIONAL OR REGIONAL EXCHANGE.—Clause (iii) of
4 paragraph (2)(E) shall not apply to stock in a for-
5 eign corporation the stock of which is listed on the
6 New York Stock Exchange, the American Stock Ex-
7 change, or any domestic regional exchange for which
8 quotations are published on a regular basis other
9 than—

10 “(A) stock of a foreign investment com-
11 pany (within the meaning of section 1246(b)),
12 and

13 “(B) stock in a foreign corporation held by
14 a United States person who meets the require-
15 ments of section 1248(a)(2).

16 “(c) INDEXED BASIS.—For purposes of this sec-
17 tion—

18 “(1) INDEXED BASIS.—The indexed basis for
19 any asset is—

20 “(A) the adjusted basis of the asset, multi-
21 plied by

22 “(B) the applicable inflation ratio.

23 “(2) APPLICABLE INFLATION RATIO.—The ap-
24 plicable inflation ratio for any asset is the percent-
25 age arrived at by dividing—

1 “(A) the gross national product deflator
2 for the calendar quarter in which the disposi-
3 tion takes place, by

4 “(B) the gross national product deflator
5 for the calendar quarter in which the asset was
6 acquired by the taxpayer (or, if later, the cal-
7 endar quarter ending December 31, 1994).

8 The applicable inflation ratio shall not be taken into
9 account unless it is greater than 1. The applicable
10 inflation ratio for any asset shall be rounded to the
11 nearest one-tenth of 1 percent.

12 “(3) GROSS NATIONAL PRODUCT DEFLATOR.—
13 The gross national product deflator for any calendar
14 quarter is the implicit price deflator for the gross
15 national product for such quarter (as shown in the
16 first revision thereof).

17 “(4) SECRETARY TO PUBLISH TABLES.—The
18 Secretary shall publish tables specifying the applica-
19 ble inflation ratios for each calendar quarter.

20 “(d) SPECIAL RULES.—For purposes of this sec-
21 tion—

22 “(1) TREATMENT AS SEPARATE ASSET.—In the
23 case of any asset, the following shall be treated as
24 a separate asset:

1 “(A) a substantial improvement to prop-
2 erty,

3 “(B) in the case of stock of a corporation,
4 a substantial contribution to capital, and

5 “(C) any other portion of an asset to the
6 extent that separate treatment of such portion
7 is appropriate to carry out the purposes of this
8 section.

9 “(2) ASSETS WHICH ARE NOT INDEXED ASSETS
10 THROUGHOUT HOLDING PERIOD.—

11 “(A) IN GENERAL.—The applicable infla-
12 tion ratio shall be appropriately reduced for cal-
13 endar months at any time during which the
14 asset was not an indexed asset.

15 “(B) CERTAIN SHORT SALES.—For pur-
16 poses of applying subparagraph (A), an asset
17 shall be treated as not an indexed asset for any
18 short sale period during which the taxpayer or
19 the taxpayer’s spouse sells short property sub-
20 stantially identical to the asset. For purposes of
21 the preceding sentence, the short sale period be-
22 gins on the day after the substantially identical
23 property is sold and ends on the closing date
24 for the sale.

1 “(3) TREATMENT OF CERTAIN DISTRIBUTIONS.—A distribution with respect to stock in a
2 corporation which is not a dividend shall be treated
3 as a disposition.
4

5 “(4) SECTION CANNOT INCREASE ORDINARY
6 LOSS.—To the extent that (but for this paragraph)
7 this section would create or increase a net ordinary
8 loss to which section 1231(a)(2) applies or an ordi-
9 nary loss to which any other provision of this title
10 applies, such provision shall not apply. The taxpayer
11 shall be treated as having a long-term capital loss in
12 an amount equal to the amount of the ordinary loss
13 to which the preceding sentence applies.

14 “(5) ACQUISITION DATE WHERE THERE HAS
15 BEEN PRIOR APPLICATION OF SUBSECTION (a)(1)
16 WITH RESPECT TO THE TAXPAYER.—If there has
17 been a prior application of subsection (a)(1) to an
18 asset while such asset was held by the taxpayer, the
19 date of acquisition of such asset by the taxpayer
20 shall be treated as not earlier than the date of the
21 most recent such prior application.

22 “(6) COLLAPSIBLE CORPORATIONS.—The appli-
23 cation of section 341(a) (relating to collapsible
24 corporations) shall be determined without regard to
25 this section.

1 “(e) CERTAIN CONDUIT ENTITIES.—

2 “(1) REGULATED INVESTMENT COMPANIES;
3 REAL ESTATE INVESTMENT TRUSTS; COMMON TRUST
4 FUNDS.—

5 “(A) IN GENERAL.—Stock in a qualified
6 investment entity shall be an indexed asset for
7 any calendar month in the same ratio as the
8 fair market value of the assets held by such en-
9 tity at the close of such month which are in-
10 dexed assets bears to the fair market value of
11 all assets of such entity at the close of such
12 month.

13 “(B) RATIO OF 90 PERCENT OR MORE.—If
14 the ratio for any calendar month determined
15 under subparagraph (A) would (but for this
16 subparagraph) be 90 percent or more, such
17 ratio for such month shall be 100 percent.

18 “(C) RATIO OF 10 PERCENT OR LESS.—If
19 the ratio for any calendar month determined
20 under subparagraph (A) would (but for this
21 subparagraph) be 10 percent or less, such ratio
22 for such month shall be zero.

23 “(D) VALUATION OF ASSETS IN CASE OF
24 REAL ESTATE INVESTMENT TRUSTS.—Nothing
25 in this paragraph shall require a real estate in-

1 vestment trust to value its assets more fre-
 2 quently than once each 36 months (except
 3 where such trust ceases to exist). The ratio
 4 under subparagraph (A) for any calendar
 5 month for which there is no valuation shall be
 6 the trustee's good faith judgment as to such
 7 valuation.

8 “(E) QUALIFIED INVESTMENT ENTITY.—

9 For purposes of this paragraph, the term
 10 ‘qualified investment entity’ means—

11 “(i) a regulated investment company

12 (within the meaning of section 851),

13 “(ii) a real estate investment trust

14 (within the meaning of section 856), and

15 “(iii) a common trust fund (within the

16 meaning of section 584).

17 “(2) PARTNERSHIPS.—In the case of a partner-

18 ship, the adjustment made under subsection (a) at
 19 the partnership level shall be passed through to the
 20 partners.

21 “(3) SUBCHAPTER S CORPORATIONS.—In the

22 case of an electing small business corporation, the
 23 adjustment under subsection (a) at the corporate
 24 level shall be passed through to the shareholders.

25 “(f) DISPOSITIONS BETWEEN RELATED PERSONS.—

1 “(1) IN GENERAL.—This section shall not apply
2 to any sale or other disposition of property between
3 related persons except to the extent that the basis
4 of such property in the hands of the transferee is a
5 substituted basis.

6 “(2) RELATED PERSONS DEFINED.—For pur-
7 poses of this section, the term ‘related persons’
8 means—

9 “(A) persons bearing a relationship set
10 forth in section 267(b), and

11 “(B) persons treated as single employer
12 under subsection (b) or (c) of section 414.

13 “(g) TRANSFERS TO INCREASE INDEXING ADJUST-
14 MENT OR DEPRECIATION ALLOWANCE.—If any person
15 transfers cash, debt, or any other property to another per-
16 son and the principal purpose of such transfer is—

17 “(1) to secure or increase an adjustment under
18 subsection (a), or

19 “(2) to increase (by reason of an adjustment
20 under subsection (a)) a deduction for depreciation,
21 depletion, or amortization,

22 the Secretary may disallow part or all of such adjustment
23 or increase.

24 “(h) DEFINITIONS.—For purposes of this section—

1 “(1) NET LEASE PROPERTY DEFINED.—The
 2 term ‘net lease property’ means leased real property
 3 where—

4 “(A) the term of the lease (taking into ac-
 5 count options to renew) was 50 percent or more
 6 of the useful life of the property, and

7 “(B) for the period of the lease, the sum
 8 of the deductions with respect to such property
 9 which are allowable to the lessor solely by rea-
 10 son of section 162 (other than rents and reim-
 11 bursed amounts with respect to such property)
 12 is 15 percent or less of the rental income pro-
 13 duced by such property.

14 “(2) STOCK INCLUDES INTEREST IN COMMON
 15 TRUST FUND.—The term ‘stock in a corporation’ in-
 16 cludes any interest in a common trust fund (as de-
 17 fined in section 584(a)).

18 “(i) REGULATIONS.—The Secretary shall prescribe
 19 such regulations as may be necessary or appropriate to
 20 carry out the purposes of this section.”

21 (b) CLERICAL AMENDMENT.—The table of sections
 22 for part II of subchapter O of such chapter 1 is amended
 23 by inserting after the item relating to section 1021 the
 24 following new item:

 “Sec. 1022. Indexing of certain assets for purposes of determining
 gain or loss.”

1 (c) ADJUSTMENT TO APPLY FOR PURPOSES OF DE-
 2 TERMINING EARNINGS AND PROFITS.—Subsection (f) of
 3 section 312 (relating to effect on earnings and profits of
 4 gain or loss and of receipt of tax-free distributions) is
 5 amended by adding at the end thereof the following new
 6 paragraph:

7 “(3) EFFECT ON EARNINGS AND PROFITS OF
 8 INDEXED BASIS.—

For substitution of indexed basis for adjusted basis in the case of the disposition of certain assets after December 31, 1993, see section 1022(a)(1)."

9 **SEC. 205. INDEXING OF LIMITATION ON CAPITAL LOSSES**
 10 **OF INDIVIDUALS.**

11 Section 1211 (relating to limitation on capital losses)
 12 is amended by adding at the end thereof the following new
 13 subsection:

14 “(c) INDEXATION OF LIMITATION ON
 15 NONCORPORATE TAXPAYERS.—

16 “(1) IN GENERAL.—In the case of any taxable
 17 year beginning in a calendar year after 1994, the
 18 \$3,000 and \$1,500 amounts under subsection (b)(1)
 19 shall be increased by an amount equal to—

20 “(A) such dollar amount, multiplied by

21 “(B) the applicable inflation adjustment
 22 for the calendar year in which the taxable year
 23 begins.

1 “(2) APPLICABLE INFLATION ADJUSTMENT.—

2 For purposes of paragraph (1), the applicable infla-
 3 tion adjustment for any calendar year is the percent-
 4 age (if any) by which—

5 “(A) the gross national product deflator
 6 for the last calendar quarter of the preceding
 7 calendar year, exceeds

8 “(B) the gross national product deflator
 9 for the last calendar quarter of 1993.

10 For purposes of this paragraph, the term ‘gross na-
 11 tional product deflator’ has the meaning given such
 12 term by section 1022(c)(3).”

13 **SEC. 206. EFFECTIVE DATES.**

14 (a) IN GENERAL.—Except as provided in subsection
 15 (b), the amendments made by this title shall apply to sales
 16 or exchanges occurring after December 31, 1994, in tax-
 17 able years ending after such date.

18 (b) INDEXING OF LOSS LIMITATION.—The amend-
 19 ments made by section 205 shall apply to taxable years
 20 beginning after December 31, 1994.

**TITLE III—NEUTRAL COST
RECOVERY**

**SEC. 301. DEPRECIATION ADJUSTMENT FOR CERTAIN
PROPERTY PLACED IN SERVICE IN TAXABLE
YEARS BEGINNING AFTER DECEMBER 31,
1994.**

(a) IN GENERAL.—Section 168 (relating to accelerated cost recovery system) is amended by adding at the end the following new subsection:

“(k) DEDUCTION ADJUSTMENT TO ALLOW EQUIVALENT OF EXPENSING FOR CERTAIN PROPERTY PLACED IN SERVICE IN TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1994.—

“(1) IN GENERAL.—In the case of tangible property placed in service in a taxable year beginning after December 31, 1994, the deduction allowable under this section with respect to such property for any taxable year (after the taxable year during which the property is placed in service) shall be—

“(A) the amount so allowable for such taxable year without regard to this subsection, multiplied by

“(B) the applicable neutral cost recovery ratio for such taxable year.

1 For purposes of subparagraph (A), paragraphs (1)
2 and (2) of subsection (b) shall be applied by sub-
3 stituting ‘150 percent’ for ‘200 percent’.

4 “(2) APPLICABLE NEUTRAL COST RECOVERY
5 RATIO.—For purposes of paragraph (1), the applica-
6 ble neutral cost recovery ratio for any taxable year
7 is the number determined by—

8 “(A) dividing—

9 “(i) the gross national product
10 deflator for the calendar quarter ending in
11 such taxable year which corresponds to the
12 calendar quarter during which the property
13 was placed in service by the taxpayer, by

14 “(ii) the gross national product
15 deflator for the calendar quarter during
16 which the property was placed in service by
17 the taxpayer, and

18 “(B) then multiplying the number deter-
19 mined under subparagraph (A) by the number
20 equal to 1.035 to the n th power where ‘ n ’ is the
21 number of full years in the period beginning on
22 the 1st day of the calendar quarter during
23 which the property was placed in service by the
24 taxpayer and ending on the day before the be-

1 ginning of the corresponding calendar quarter
2 ending during such taxable year.

3 The applicable neutral cost recovery ratio shall not
4 be taken into account unless it is greater than 1.

5 The applicable neutral cost recovery ratio shall be
6 rounded to the nearest one-tenth of 1 percent.

7 “(3) GROSS NATIONAL PRODUCT DEFLATOR.—
8 For purposes of paragraph (2), the gross national
9 product deflator for any calendar quarter is the im-
10 plicit price deflator for the gross national product
11 for such quarter (as shown in the first revision
12 thereof).

13 “(4) ELECTION NOT TO HAVE SUBSECTION
14 APPLY.—This subsection shall not apply to any
15 property if the taxpayer elects not to have this sub-
16 section apply to such property. Such an election,
17 once made, shall be irrevocable.”

18 (b) MINIMUM TAX TREATMENT.—Paragraph (1) of
19 section 56(a) is amended by adding at the end the follow-
20 ing new subparagraph:

21 “(E) USE OF NEUTRAL COST RECOVERY
22 RATIO.—In the case of tangible property placed
23 in service in a taxable year beginning after De-
24 cember 31, 1994, the deduction allowable under
25 this paragraph with respect to such property

1 for any taxable year (after the taxable year dur-
 2 ing which the property is placed in service)
 3 shall be—

4 “(i) the amount so allowable for such
 5 taxable year without regard to this sub-
 6 paragraph, multiplied by

7 “(ii) the applicable neutral cost recov-
 8 ery ratio for such taxable year (as deter-
 9 mined under section 168(k)).

10 This subparagraph shall not apply to any prop-
 11 erty with respect to which there is an election
 12 in effect not to have section 168(k) apply.”

13 (c) DISALLOWANCE OF INTEREST DEDUCTION TO
 14 ENSURE EQUITY FINANCING RECEIVES SAME TREAT-
 15 MENT AS DEBT FINANCING.—Section 163 (relating to de-
 16 duction for interest) is amended by redesignating sub-
 17 section (k) as subsection (l) and by inserting after
 18 subsection (j) the following new subsection:

19 “(k) DISALLOWANCE OF DEDUCTION FOR PROPERTY
 20 SUBJECT TO NEUTRAL COST RECOVERY.—No deduction
 21 shall be allowed for any amount otherwise allowable as a
 22 deduction for interest on indebtedness incurred or contin-
 23 ued to purchase or carry tangible property with respect
 24 to which an election is made under section 168(k) (relat-
 25 ing to neutral cost recovery).”

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1994.

4 **SEC. 302. SPECIAL DEPRECIATION RULES APPLICABLE**
 5 **UNDER THE ADJUSTED CURRENT EARNINGS**
 6 **PROVISIONS OF THE MINIMUM TAX.**

7 (a) IN GENERAL.—Subparagraph (A) of section
 8 56(g)(4) (relating to adjustments) is amended by adding
 9 at the end the following new clauses:

10 “(vi) SPECIAL BASIS RULES FOR
 11 1994.—

12 “(I) IN GENERAL.—Notwith-
 13 standing clause (i), the adjusted basis
 14 of any depreciable property held by
 15 the taxpayer as of the beginning of
 16 the taxpayer’s first taxable year be-
 17 ginning after December 31, 1994,
 18 shall be determined as if the provi-
 19 sions of the last sentence of clause (i)
 20 had also applied to taxable years be-
 21 ginning in 1991, 1992, 1993, or
 22 1994.

23 “(II) LOST BASIS RECOVERED
 24 OVER 5 YEARS.—The amount deter-
 25 mined under clause (vii) shall be al-

1 lowed as a deduction ratably over the
2 60-month period beginning with the
3 first month of the taxpayer's first tax-
4 able year beginning after December
5 31, 1994.

6 “(vii) AMOUNT OF LOST BASIS.—For
7 purposes of clause (vi)(II), the amount de-
8 termined under this clause is the excess
9 of—

10 “(I) the aggregate adjusted bases
11 of depreciable property held by the
12 taxpayer as of the beginning of the
13 taxpayer's first taxable year beginning
14 after December 31, 1994, which
15 would have been determined (as of
16 such time) under clause (i) without
17 regard to clause (vi), over

18 “(II) the aggregate adjusted
19 bases of such property (as of such
20 time) as determined under the rules of
21 clause (vi).”

22 (b) EFFECTIVE DATE.—The amendment made by
23 subsection (a) shall apply to taxable years beginning after
24 December 31, 1994.

1 **TITLE IV—INCREASING NA-**
 2 **TIONAL SAVINGS THROUGH**
 3 **INDIVIDUAL RETIREMENT**
 4 **PLUS ACCOUNTS, INDEXING**
 5 **FOR INFLATION THE INCOME**
 6 **THRESHOLDS FOR TAXING**
 7 **SOCIAL SECURITY BENEFITS,**
 8 **ETC.**

9 **SEC. 401. ESTABLISHMENT OF INDIVIDUAL RETIREMENT**
 10 **PLUS ACCOUNTS.**

11 (a) IN GENERAL.—Subpart A of part I of subchapter
 12 D of chapter 1 (relating to pension, profit-sharing, stock
 13 bonus plans, etc.) is amended by inserting after section
 14 408 the following new section:

15 **“SEC. 408A. INDIVIDUAL RETIREMENT PLUS ACCOUNTS.**

16 “(a) GENERAL RULE.—Except as provided in this
 17 section, an individual retirement plus account shall be
 18 treated for purposes of this title in the same manner as
 19 an individual retirement plan.

20 “(b) INDIVIDUAL RETIREMENT PLUS ACCOUNT.—
 21 For purposes of this title, the term ‘individual retirement
 22 plus account’ means an individual retirement plan which
 23 is designated at the time of the establishment of the plan
 24 as an individual retirement plus account. Such designation

1 shall be made in such manner as the Secretary may
2 prescribe.

3 “(c) CONTRIBUTION RULES.—

4 “(1) NO DEDUCTION ALLOWED.—No deduction
5 shall be allowed under section 219 for a contribution
6 to an individual retirement plus account.

7 “(2) CONTRIBUTION LIMIT.—

8 “(A) IN GENERAL.—Except in the case of
9 rollover contributions, the aggregate amount
10 which may be accepted as contributions to an
11 individual retirement plus account shall not be
12 greater than the excess (if any) of—

13 “(i) the nondeductible limit with re-
14 spect to the individual for the taxable year
15 under section 408(o) (after application of
16 subparagraph (B)(ii) thereof), over

17 “(ii) the designated nondeductible
18 contributions made by the individual for
19 such taxable year to 1 or more individual
20 retirement plans.

21 “(B) \$1,000 INCREASE AFTER 1995.—

22 “(i) IN GENERAL.—In the case of any
23 taxable year beginning after December 31,
24 1996, the amount determined under sub-
25 paragraph (A)(i) (without regard to this

1 subparagraph) shall be increased by
2 \$1,000.

3 “(ii) ADJUSTMENT FOR INFLATION.—
4 In the case of any taxable year beginning
5 in a calendar year after 1998, the \$1,000
6 amount in clause (i) shall be increased by
7 an amount equal to—

8 “(I) such dollar amount, multi-
9 plied by

10 “(II) the cost-of-living adjust-
11 ment under section 1(f)(3) for the cal-
12 endar year in which the taxable year
13 begins, determined by substituting
14 ‘calendar year 1997’ for ‘calendar
15 year 1992’ in subparagraph (B) there-
16 of.

17 “(iii) ROUNDING.—If any amount as
18 adjusted under clause (ii) is not a multiple
19 of \$50, such amount shall be rounded to
20 the nearest multiple of \$50 (or, if such
21 amount is a multiple of \$25, such amount
22 shall be rounded to the next highest mul-
23 tiple of \$50).

24 “(C) SPECIAL RULE FOR MARRIED INDIVIDUALS.—The nondeductible limits under sub-
25

paragraph (A) for an individual or for such individual's spouse shall be an amount equal to the excess (if any) of—

“(i) the amount determined under subparagraph (A)(i) (after application of subparagraph (B)), over

“(ii) the sum of the amount allowed as a deduction under section 219 for contributions on behalf of such individual or such spouse, plus the amount determined under subparagraph (A)(ii) with respect to each.

In no event shall the sum of such limits exceed an amount equal to the sum of the compensation includible in the individual's and spouse's gross income for the taxable year, reduced by the sum of the amounts determined under clause (ii).

“(3) CONTRIBUTIONS AFTER AGE 70½.—Contributions may be made by an individual to an individual retirement plus account after such individual has attained the age of 70½.

“(4) LIMITATIONS ON ROLLOVER CONTRIBUTIONS.—No rollover contributions may be made to an individual retirement plus account unless such

1 rollover contribution is a contribution of a distribu-
 2 tion or payment out of—

3 “(A) another individual retirement plus ac-
 4 count, or

5 “(B) an individual retirement plan which is
 6 not allocable to any amount transferred to such
 7 plan which represented any portion of the bal-
 8 ance to the credit of an employee in a qualified
 9 trust (or any income allocable to such portion).

10 “(d) DISTRIBUTION RULES.—For purposes of this
 11 title—

12 “(1) IN GENERAL.—Except in the case of a
 13 qualified distribution, the rules of paragraphs (1)
 14 and (2) of section 408(d) shall apply to any distribu-
 15 tion from an individual retirement plus account.

16 “(2) TREATMENT OF QUALIFIED DISTRIBUTION.—In the case of a qualified distribution from
 17 an individual retirement plus account—

18 “(A) the amount of such distribution shall
 19 not be includible in gross income, and

20 “(B) section 72(t) shall not apply.

21 “(3) QUALIFIED DISTRIBUTION.—For purposes
 22 of this subsection—

23 “(A) IN GENERAL.—The term ‘qualified
 24 distribution’ means any distribution—
 25

1 “(i) made on or after the date on
2 which the individual attains age 59½,

3 “(ii) made to a beneficiary (or to the
4 estate of an individual) on or after the
5 death of the individual,

6 “(iii) attributable to the employee’s
7 being disabled (within the meaning of sec-
8 tion 72(m)(7)), or

9 “(iv) which is a qualified special pur-
10 pose distribution (within the meaning of
11 subsection (e)).

12 “(B) DISTRIBUTIONS WITHIN 5 YEARS.—

13 No distribution shall be treated as a qualified
14 distribution if—

15 “(i) it is made within the 5-taxable
16 year period beginning with the 1st taxable
17 year in which the individual made a con-
18 tribution to an individual retirement plus
19 account, or

20 “(ii) in the case of a distribution
21 properly allocable to a rollover contribution
22 (or income allocable thereto), it is made
23 within 5 years of the date on which such
24 rollover contribution was made.

1 “(4) SPECIAL RULES RELATING TO ROLLOVERS
2 FROM REGULAR INDIVIDUAL RETIREMENT AC-
3 COUNTS.—

4 “(A) IN GENERAL.—Except as provided in
5 this paragraph, any amount paid or distributed
6 out of an individual retirement plan on or be-
7 fore the earlier of—

8 “(i) the date on which the individual
9 attains age 55, or

10 “(ii) January 1, 1996,
11 shall not be included in gross income (and sec-
12 tion 72(t) shall not apply to such amount) if
13 the individual receiving such amount transfers,
14 within 60 days of receipt, the entire amount re-
15 ceived to an individual retirement plus account.

16 “(B) TREATMENT OF TAX-FAVORED
17 AMOUNTS.—

18 “(i) IN GENERAL.—Notwithstanding
19 subparagraph (A), there shall be included
20 in gross income (but section 72(t) shall not
21 apply to) the portion of any amount trans-
22 ferred which bears the same ratio to such
23 amount as—

24 “(I) the aggregate amount of
25 contributions to individual retirement

1 plans with respect to which a deduc-
 2 tion was allowable under section 219,
 3 bears to

4 “(II) the aggregate balance of
 5 such plans.

6 “(ii) TIME FOR INCLUSION.—Any
 7 amount described in clause (i) shall be in-
 8 cluded in gross income ratably over the 4-
 9 taxable year period beginning with the tax-
 10 able year in which the amount was paid or
 11 distributed out of the individual retirement
 12 plan.

13 “(e) QUALIFIED SPECIAL PURPOSE DISTRIBUTION.—For purposes of this section—

15 “(1) IN GENERAL.—The term ‘qualified special
 16 purpose distribution’ means—

17 “(A) a qualified first-time homebuyer dis-
 18 tribution, or

19 “(B) an applicable medical or educational
 20 distribution.

21 “(2) 25 PERCENT ACCOUNT LIMIT.—A distribu-
 22 tion shall not be treated as a qualified special pur-
 23 pose distribution to the extent it exceeds the amount
 24 (if any) by which—

25 “(A) 25 percent of the sum of—

1 “(i) the aggregate balance of individ-
 2 ual retirement plus accounts established on
 3 behalf of an individual, plus

4 “(ii) the aggregate amounts previously
 5 treated as qualified special purpose dis-
 6 tributions, exceeds

7 “(B) the amount determined under sub-
 8 paragraph (A)(ii).

9 “(3) DISTRIBUTIONS USED TO PURCHASE A
 10 HOME BY FIRST-TIME HOMEBUYER.—For purposes
 11 of paragraph (1)—

12 “(A) IN GENERAL.—The term ‘qualified
 13 first-time homebuyer distribution’ means any
 14 payment or distribution received by a first-time
 15 homebuyer from an individual retirement plan
 16 to the extent such payment or distribution is
 17 used by the individual before the close of the
 18 60th day after the day on which such payment
 19 or distribution is received to pay qualified ac-
 20 quisition costs with respect to a principal resi-
 21 dence for such individual.

22 “(B) BASIS REDUCTION.—The basis of any
 23 principal residence described in subparagraph
 24 (A) shall be reduced by any amount excluded

1 from the gross income of such first-time home-
 2 buyer by reason of this section.

3 “(C) RECOGNITION OF GAIN AS ORDINARY
 4 INCOME.—

5 “(i) IN GENERAL.—Notwithstanding
 6 any other provision of this subtitle, except
 7 as provided in clause (ii)—

8 “(I) gain (if any) on the sale or
 9 exchange of a principal residence to
 10 which subparagraph (A) applies shall,
 11 to the extent of the amount excluded
 12 from gross income under this section,
 13 be treated as ordinary income by such
 14 individual, and

15 “(II) section 72(t) shall apply to
 16 such amount.

17 “(ii) EXCEPTION.—Clause (i) shall
 18 not apply to any taxable year to the extent
 19 of any amount which, before the due date
 20 (without extensions) for filing the return
 21 for such year, the taxpayer contributes to
 22 an individual retirement plus account.
 23 Such amount shall not be taken into ac-
 24 count for purposes of any provision of this
 25 title relating to excess contributions.

1 “(iii) COORDINATION WITH OTHER
 2 PROVISIONS.—In the event all or part of
 3 the gain referred to in clause (i) is treated
 4 as ordinary income under any other provi-
 5 sion of this subtitle, such provision shall be
 6 applied before clause (i).

7 “(D) SPECIAL RULE WHERE DELAY IN AC-
 8 QUISSION.—If—

9 “(i) any amount is paid or distributed
 10 from an individual retirement plus account
 11 to an individual for purposes of being used
 12 as provided in subparagraph (A), and

13 “(ii) by reason of a delay in the acqui-
 14 sition of the residence, such amount cannot
 15 be so used,

16 the amount so paid or distributed may be paid
 17 into an individual retirement plus account as
 18 provided in section 408(d)(3)(A)(i) without re-
 19 gard to section 408(d)(3)(B), and, if so paid
 20 into such other plan, such amount shall not be
 21 taken into account in determining whether sec-
 22 tion 408(d)(3)(A)(i) applies to any other
 23 amount.

24 “(E) DEFINITIONS.—For purposes of this
 25 paragraph—

1 “(i) QUALIFIED ACQUISITION
2 COSTS.—The term ‘qualified acquisition
3 costs’ means the costs of acquiring, con-
4 structing, or reconstructing a residence.
5 Such term includes any usual or reason-
6 able settlement, financing, or other closing
7 costs.

8 “(ii) FIRST-TIME HOMEBUYER.—The
9 term ‘first-time homebuyer’ means any in-
10 dividual if such individual (and if married,
11 such individual’s spouse) had no present
12 ownership interest in a principal residence
13 during the 3-year period ending on the
14 date of acquisition of the principal resi-
15 dence to which this paragraph applies.

16 “(iii) PRINCIPAL RESIDENCE.—The
17 term ‘principal residence’ has the same
18 meaning as when used in section 1034.

19 “(iv) DATE OF ACQUISITION.—The
20 term ‘date of acquisition’ means the date—

21 “(I) on which a binding contract
22 to acquire the principal residence to
23 which subparagraph (A) applies is en-
24 tered into, or

1 “(II) on which construction or re-
2 construction of such a principal resi-
3 dence is commenced.

4 “(4) APPLICABLE MEDICAL DISTRIBUTIONS.—
5 For purposes of paragraph (1), the term ‘applicable
6 medical distributions’ means any distributions made
7 to an individual (not otherwise taken into account
8 under this subsection) to the extent such distribu-
9 tions do not exceed the amount allowable as a de-
10 duction under section 213 for amounts paid during
11 the taxable year for medical care (without regard to
12 whether the individual itemized deductions for the
13 taxable year).

14 “(5) DISTRIBUTIONS FROM INDIVIDUAL RE-
15 TIREMENT PLUS ACCOUNTS FOR EDUCATIONAL EX-
16 PENSES.—

17 “(A) IN GENERAL.—For purposes of para-
18 graph (1), the term ‘applicable educational dis-
19 tributions’ means distributions to an individual
20 to the extent that the amount of such distribu-
21 tions (not otherwise treated as qualified special
22 purpose distributions, determined after applica-
23 tion of paragraph (4)) does not exceed the
24 qualified higher education expenses of the indi-
25 vidual for the taxable year.

1 “(B) QUALIFIED HIGHER EDUCATION EX-
2 PENSES.—For purposes of subparagraph (A)—

3 “(i) IN GENERAL.—The term ‘quali-
4 fied higher education expenses’ means tui-
5 tion, fees, books, supplies, and equipment
6 required for the enrollment or attendance
7 of—

8 “(I) the taxpayer,

9 “(II) the taxpayer’s spouse, or

10 “(III) the taxpayer’s child (as de-
11 fined in section 151(c)(3)) or grand-
12 child,

13 at an eligible educational institution (as
14 defined in section 135(c)(3)).

15 “(ii) COORDINATION WITH SAVINGS
16 BOND PROVISIONS.—The amount of quali-
17 fied higher education expenses for any tax-
18 able year shall be reduced by any amount
19 excludable from gross income under section
20 135.

21 “(f) ROLLOVER CONTRIBUTIONS.—For purposes of
22 this section, the term ‘rollover contributions’ means con-
23 tributions described in sections 402(a)(5), 402(a)(7),
24 403(a)(4), 403(b)(8), and 408(d)(3).

1 “(g) DETERMINATIONS.—For purposes of this sec-
 2 tion, any determinations with respect to aggregate con-
 3 tributions to, or the balance of, individual retirement plus
 4 accounts shall be made as of the close of the calendar year
 5 preceding the calendar year in which the taxable year
 6 begins.”

7 (b) CONFORMING AMENDMENT.—The table of sec-
 8 tions for subpart A of part I of subchapter D of chapter
 9 1 is amended by inserting after the item relating to section
 10 408 the following new item:

“Sec. 408A. Individual retirement plus accounts.”

11 (c) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to taxable years beginning after
 13 December 31, 1994.

14 **SEC. 402. INFLATION ADJUSTMENT OF INCOME THRESH-**
 15 **OLDS FOR TAXATION OF SOCIAL SECURITY**
 16 **BENEFITS; INCOME FROM INDIVIDUAL RE-**
 17 **TIREMENT PLANS EXCLUDED.**

18 (a) ADJUSTMENT OF INCOME THRESHOLDS FOR IN-
 19 FLATION.—Subsection (c) of section 86 (relating to social
 20 security and tier 1 railroad retirement benefits) is amend-
 21 ed by adding at the end the following new paragraph:

22 “(3) ADJUSTMENT OF INCOME THRESHOLDS
 23 FOR INFLATION.—

24 “(A) IN GENERAL.—In the case of any
 25 taxable year beginning in a calendar year after

1 1997, each dollar amount contained in para-
2 graphs (1) and (2) shall be increased by an
3 amount equal to—

4 “(i) such dollar amount, multiplied by

5 “(ii) the cost-of-living adjustment
6 under section 1(f)(3) for the calendar year
7 in which the taxable year begins, deter-
8 mined by substituting ‘calendar year 1996’
9 for ‘calendar year 1992’ in subparagraph
10 (B) thereof.

11 “(B) ROUNDING.—If any amount as ad-
12 justed under subparagraph (A) is not a multiple
13 of \$50, such amount shall be rounded to the
14 nearest multiple of \$50 (or, if such amount is
15 a multiple of \$25, such amount shall be round-
16 ed to the next highest multiple of \$50).”

17 (b) INCOME FROM INDIVIDUAL RETIREMENT PLANS
18 EXCLUDED.—Paragraph (2) of section 86(b) is amended
19 by striking “and” at the end of subparagraph (A), by
20 striking the period at the end of subparagraph (B) and
21 inserting “, and”, and by adding at the end the following
22 new subparagraph:

23 “(C) decreased by the portion of such in-
24 come which is attributable to a distribution or
25 payment from an individual retirement plan.”

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1997.

4 **SEC. 403. INFLATION ADJUSTMENT OF MAXIMUM AMOUNT**
 5 **OF IRA DEDUCTION.**

6 (a) IN GENERAL.—Section 219 (relating to retire-
 7 ment savings) is amended by redesignating subsection (h)
 8 as subsection (i) and by inserting after subsection (g) the
 9 following new subsection:

10 “(h) ADJUSTMENT OF MAXIMUM DEDUCTION FOR
 11 INFLATION.—

12 “(1) IN GENERAL.—In the case of any taxable
 13 year beginning in a calendar year after 1997, each
 14 applicable dollar amount shall be increased by an
 15 amount equal to—

16 “(A) such dollar amount, multiplied by

17 “(B) the cost-of-living adjustment under
 18 section 1(f)(3) for the calendar year in which
 19 the taxable year begins, determined by sub-
 20 stituting ‘calendar year 1996’ for ‘calendar year
 21 1992’ in subparagraph (B) thereof.

22 “(2) APPLICABLE DOLLAR AMOUNT.—For pur-
 23 poses of paragraph (1), the term ‘applicable dollar
 24 amount’ means—

1 “(A) the \$2,000 amount in subsections
 2 (b)(1)(A) and (c)(2) of this section, in sub-
 3 sections (a)(1), (b), and (j) of section 408, and
 4 in section 408A(c)(2)(C), and

5 “(B) the \$2,250 amount in subsection
 6 (c)(2) of this section and in section 408(d)(5).

7 “(3) ROUNDING.—If any amount as adjusted
 8 under paragraph (1) is not a multiple of \$50, such
 9 amount shall be rounded to the nearest multiple of
 10 \$50 (or, if such amount is a multiple of \$25, such
 11 amount shall be rounded to the next highest multiple
 12 of \$50).”

13 (b) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to taxable years beginning after
 15 December 31, 1997.

16 **TITLE V—CAP ON FEDERAL**
 17 **SPENDING AND ESTABLISH-**
 18 **MENT OF COMMISSION TO RE-**
 19 **DUCE FEDERAL SPENDING**

20 **SEC. 501. ESTABLISHMENT.**

21 There is established an independent commission to be
 22 known as the “Spending Reduction Commission” (herein-
 23 after referred to as the “Commission”).

24 **SEC. 502. DUTIES OF COMMISSION.**

25 The Commission is authorized and directed to—

1 (1) review all Federal spending, including enti-
2 tlement programs, in order to identify and rec-
3 ommend specific reductions in any Federal project,
4 program, or activity to assure that aggregate Fed-
5 eral spending does not grow at a rate in excess of
6 2 percent per annum for any fiscal year beginning
7 after 1995, and

8 (2) take the actions required by this title to
9 achieve the reductions in Federal spending described
10 in paragraph (1).

11 **SEC. 503. MEMBERSHIP AND OPERATION OF COMMISSION.**

12 (a) APPOINTMENT.—(1)(A) The Commission shall be
13 composed of 7 members appointed by the President, by
14 and with the advice and consent of the Senate.

15 (B) Not later than January 15th of any calendar
16 year, the President shall transmit to the Senate the nomi-
17 nations for appointment to the Commission for the fiscal
18 year beginning in the calendar year.

19 (2) In selecting individuals for nominations for ap-
20 pointments to the Commission, the President shall se-
21 lect—

22 (A) 4 of the members from a list of 10 individ-
23 uals submitted by the Speaker of the House of Rep-
24 resentatives and the Majority Leader of the Senate,
25 and

1 (B) 3 of the members from a list of 10 individ-
2 uals submitted by the Minority Leader of the House
3 of Representatives and the Minority Leader of the
4 Senate.

5 (3) At the time the President nominates individuals
6 for appointment to the Commission, the President shall
7 designate 1 such individual who shall serve as Chairman
8 and Vice Chairman of the Commission.

9 (4) No current Member of Congress, employee of the
10 executive branch, or current or former registered lobbyist
11 may serve on the Commission.

12 (b) TERMS.—(1) Except as provided in paragraph
13 (2), each member of the Commission shall serve until No-
14 vember 1st of the calendar year in which the member is
15 appointed.

16 (2) The Chairman of the Commission shall serve until
17 the confirmation of a successor.

18 (c) MEETINGS.—(1) Each meeting of the Commis-
19 sion, other than meetings in which classified information
20 is to be discussed, shall be open to the public.

21 (2) All the proceedings, information, and delibera-
22 tions of the Commission shall be open, upon request, to
23 the Chairman and the ranking minority member of the
24 Budget and Appropriations Committees of each House.

1 (d) VACANCIES.—A vacancy in the Commission shall
2 be filled in the same manner as the original appointment.

3 (e) PAY AND TRAVEL EXPENSES.—(1)(A) Each
4 member, other than the Chairman, shall be paid at a rate
5 not to exceed the daily equivalent of the minimum annual
6 rate of basic pay payable for level IV of the Executive
7 Schedule under section 5315 of title 5, United States
8 Code, for each day (including travel time) during vested
9 in the Commission.

10 (B) The Chairman shall be paid for each day referred
11 to in subparagraph (A) at a rate not to exceed the daily
12 equivalent of the minimum annual rate of basic pay pay-
13 able for level III of the Executive Schedule under section
14 5314 of title 5, United States Code.

15 (2) Members shall receive travel expenses, including
16 per diem in lieu of subsistence, in accordance with sections
17 5702 and 5703 of title 5, United States Code.

18 (f) DIRECTOR OF STAFF.—(1) The Commission shall,
19 without regard to section 5311(b) of title 5, United States
20 Code, appoint a Director who has not been employed by
21 the Federal Government during the 1-year period preced-
22 ing the date of such appointment and who is not a former
23 Member of Congress or registered lobbyist.

24 (2) The Director shall be paid at a rate not to exceed
25 the rate of basic pay payable for level IV of the Executive

1 Schedule under section 5315 of title 5, United States
2 Code.

3 (g) STAFF.—(1) Subject to paragraphs (2) and (3),
4 the Director, with the approval of the Commission, may
5 appoint and fix pay of additional personnel.

6 (2) The Director may take such appointments with-
7 out regard to the provisions of title 5, United States Code,
8 governing appointment in the competitive service, and any
9 personnel so appointed may be paid without regard to the
10 provisions of chapter 51 and subchapter III of chapter 53
11 of that title relating to classification and General Schedule
12 pay rates, except that an individual so appointed may not
13 receive pay in excess of the annual rate of basic pay pay-
14 able for GS-18 of the General Schedule.

15 (3) Not more than one-third of the personnel em-
16 ployed by or detailed to the Commission may be on detail
17 from any Government agency.

18 (4) Upon request of the Director, the head of any
19 Federal department or agency may detail any of the per-
20 sonnel of that department or agency to the Commission
21 to assist the Commission in carrying out its duties under
22 this Act.

23 (5) The Comptroller General of the United States
24 shall provide assistance, including the detailing of employ-

ees, to the Commission in accordance with an agreement entered into with the Commission.

(h) OTHER AUTHORITY.—(1) The Commission may procure by contract, to the extent funds are available, the temporary or intermittent services of experts or consultants pursuant to section 3109 of title 5, United States Code.

(2) The Commission may lease space and acquire personal property to the extent funds are available.

(i) FUNDING.—Each department and agency shall transfer necessary funding to the Commission on a pro rata basis based on that agency's or department's funding percentage of the total Executive budget.

(j) TERMINATION.—Each Commission shall terminate on November 1st of the calendar year in which the Commission is appointed.

**SEC. 504. PROCEDURE FOR MAKING RECOMMENDATION
FOR PROPOSED CUTS.**

(a) SELECTION CRITERIA.—(1) OMB shall, by no later than January 1st of each year, publish in the Federal Register and transmit to the Budget and Appropriations committees of each House the criteria proposed to be used by OMB in making budget outlay reduction recommendations required by this section. OMB shall provide an opportunity for public comment on the proposed criteria for

1 a period of at least 10 days and shall include notice of
2 that opportunity in the publication required under the pre-
3 ceding sentence.

4 (2)(A) OMB shall, by no later than January 15th,
5 publish in the Federal Register and transmit to the con-
6 gressional budget and appropriations committees the final
7 criteria to be used in making recommendations for pro-
8 gram cuts. Except as provided in subparagraph (B), such
9 criteria shall be the final criteria to be used in making
10 such recommendations unless disapproved by a joint reso-
11 lution of Congress enacted on or before February 1st.

12 (B) OMB shall amend such criteria, but such amend-
13 ments may not become effective until they have been pub-
14 lished in the Federal Register, opened to public comment
15 for at least 10 days, and then transmitted to the Budget
16 and Appropriations committees of each House in final
17 form by no later than February 1st. Such amended cri-
18 teria shall be the final criteria to be used in making such
19 recommendations unless disapproved by a joint resolution
20 of Congress enacted on or before February 15th.

21 (b) OMB RECOMMENDATIONS.—(1) OMB may, by
22 no later than April 1st, publish in the Federal Register
23 and transmit to the congressional budget and appropria-
24 tions committees and to the Commission OMB's rec-

1 ommendations for budget outlay reductions which meet
2 the requirements of section 502(1).

3 (2) OMB shall include, with the list of recommenda-
4 tions published and transmitted pursuant to paragraph
5 (1), a summary of the selection process that resulted in
6 the recommendation.

7 (3) In considering such outlay reductions, OMB shall
8 consider all programs without regard to whether such pro-
9 grams have previously been considered or proposed for
10 elimination.

11 (4) OMB shall make available to the Commission and
12 the Comptroller General of the United States all informa-
13 tion used by OMB in making its recommendations.

14 (c) REVIEW AND RECOMMENDATIONS BY THE COM-
15 MISSION.—(1) After receiving the recommendations from
16 OMB pursuant to subsection (b), the Commission shall
17 conduct public hearings on the recommendations.

18 (2) The Director of the Congressional Budget Office
19 shall notify the Commission on August 1st of any savings
20 that have been enacted into law for the upcoming fiscal
21 year. The target for such fiscal year shall be reduced by
22 the amount of such savings.

23 (3)(A) The Commission shall, by no later than Au-
24 gust 15th, transmit to the President a report containing

1 the Commission's findings and conclusions based on a re-
2 view and analysis of the recommendations.

3 (B) In making its recommendations, the Commission
4 may make changes in any of the recommendations made
5 by OMB.

6 (4) The Commission shall explain and justify in its
7 report submitted to the President pursuant to paragraph
8 (2) any recommendation made by the Commission that is
9 different from the recommendations made by OMB pursu-
10 ant to subsection (b). The Commission shall transmit a
11 copy of such report to the Budget and Appropriations
12 committees of each House on the same date on which it
13 transmits its recommendations to the President under
14 paragraph (2).

15 (5) After August 15th, the Commission shall prompt-
16 ly provide, upon request, to any Member of Congress in-
17 formation used by the Commission in making its rec-
18 ommendations.

19 (6) The Congressional Budget Office shall—

20 (A) assist the Commission, to the extent re-
21 quested, in the Commission's review and analysis of
22 the recommendations made by OMB pursuant to
23 subsection (b); and

24 (B) by no later than June 1st, transmit to the
25 Congress and to the Commission a report containing

1 a detailed analysis of OMB's recommendations and
2 selection process.

3 (d) REVIEW BY THE PRESIDENT.—(1) The President
4 shall, by no later than September 1st, transmit to the
5 Commission and to the Congress, a report containing the
6 President's approval or disapproval of the Commission's
7 recommendations.

8 (2) If the President approves all the recommenda-
9 tions of the Commission, the President shall transmit a
10 copy of such recommendations to the Congress, together
11 with a certification of such approval and legislative lan-
12 guage implementing such recommendations.

13 (3) If the President disapproves the recommendations
14 of the Commission, in whole or in part, the President shall
15 transmit to the Commission and the Congress the reasons
16 for that disapproval. The Commission shall then transmit
17 to the President, by no later than September 5th, a revised
18 list of recommendations.

19 (4) If the President approves all of the revised rec-
20 ommendations of the Commission transmitted to the
21 President under paragraph (3), the President shall trans-
22 mit a copy of such revised recommendation to the Con-
23 gress, together with a certification of such approval.

24 (5) If the President does not transmit to the Con-
25 gress an approval and certification described in paragraph

1 (2) or (4) by September 10th, the process by which budget
 2 outlay reductions may occur under this title with respect
 3 to that year shall be terminated.

4 **SEC. 505. BUDGET OUTLAY REDUCTIONS.**

5 (a) IN GENERAL.—The President shall submit rec-
 6 ommendations to Congress together with a joint resolution
 7 containing legislative language implementing such rec-
 8 ommendations not later than September 10th, as provided
 9 in section 504.

10 (b) CONGRESSIONAL CONSIDERATION OF PRESI-
 11 DENT’S RECOMMENDATIONS.—

12 (1) TERMS OF THE RESOLUTION.—For the pur-
 13 poses of subsection (a), the term “joint resolution”
 14 means a joint resolution that—

15 (A) is introduced within the 2-day period
 16 beginning on the date on which the President
 17 transmits a report to the Congress under sec-
 18 tion 3(d);

19 (B) does not have a preamble;

20 (C) states after the resolving clause “That
 21 Congress approves the recommendations of the
 22 Spending Reduction Commission submitted by
 23 the President on _____”, the blank space
 24 being filled in with the appropriate date and

1 contains the President's legislative language de-
2 scribed in subsection (a); and

3 (D) is entitled a "Joint resolution approv-
4 ing the recommendations of the Spending Re-
5 duction Commission."

6 (2) REFERRAL.—(A) A resolution described in
7 paragraph (1) that is introduced in the House of
8 Representatives shall be referred to the Committee
9 on Government Operations of the House of Rep-
10 resentatives.

11 (B) A resolution described in paragraph (1)
12 that is introduced in the Senate shall be referred to
13 the Committee on Governmental Affairs of the Sen-
14 ate.

15 (3) DISCHARGE.—If the committee to which a
16 resolution described in paragraph (1) is referred has
17 not reported the resolution (or an identical resolu-
18 tion) by the end of the 5-day period beginning on
19 the date on which the President transmits the report
20 to the Congress, such committee shall, at the end of
21 that period, be discharged from further consider-
22 ation of the resolution, and the resolution shall be
23 placed on the appropriate calendar of the House of
24 Representatives or the Senate, as the case may be.

1 (4) CONSIDERATION.—(A)(i) On or after the
2 first day after the date on which the committee to
3 which a joint resolution described in paragraph (1)
4 is referred has reported, or has been discharged
5 (under paragraph (3)) from further consideration of,
6 such a resolution, it is in order (even though a pre-
7 vious motion to the same effect has been disagreed
8 to) for any member of the House of Representatives
9 or the Senate, respectively, to move to proceed to the
10 consideration of the resolution (but only on the date
11 after the calendar day on which the member an-
12 nounces to the House concerned the member's inten-
13 tion to do so).

14 (ii) All points of order against a resolution de-
15 scribed in paragraph (1) (and against consideration
16 of the resolution) are waived.

17 (iii)(I) A motion to proceed to the consideration
18 of a joint resolution described in paragraph (1) is
19 highly privileged in the House of Representatives
20 and is privileged in the Senate and is not debatable.

21 (II) A motion described in subclause (I) is not
22 subject to amendment, to a motion to postpone con-
23 sideration of the resolution, or to a motion to pro-
24 ceed to the consideration of other business.

1 (III) A motion to reconsider the vote by which
2 a motion described in subclause (I) is agreed to or
3 not agreed to shall not be in order.

4 (IV) If a motion described in subclause (I) is
5 agreed to, the House of Representatives or the Sen-
6 ate, as the case may be, shall immediately proceed
7 to consideration of the joint resolution without inter-
8 vening motion, order, or other business, and the res-
9 olution shall remain the unfinished business of the
10 House of Representatives or the Senate, as the case
11 may be, until disposed of.

12 (B)(i) Debate on a joint resolution described in
13 paragraph (1) and on all debatable motions and ap-
14 peals in connection therewith shall be limited to not
15 more than 5 hours, which shall be divided equally
16 between those favoring and those opposing the reso-
17 lution.

18 (ii) An amendment to a joint resolution de-
19 scribed in paragraph (1) is not in order.

20 (iii) A motion further to limit debate on a joint
21 resolution described in paragraph (1) is in order and
22 not debatable.

23 (iv) A motion to postpone consideration of a
24 joint resolution described in paragraph (1), a motion

1 to proceed to the consideration of other business, or
2 a motion to recommit the resolution is not in order.

3 (v) A motion to reconsider the vote by which a
4 resolution described in paragraph (1) is agreed to or
5 not agreed to is not in order.

6 (C) Immediately following the conclusion of the
7 debate on a joint resolution described in paragraph
8 (1) and a single quorum call at the conclusion of the
9 debate if requested in accordance with the rules of
10 the House of Representatives or the Senate, as the
11 case may be, the vote on final passage of the resolu-
12 tion shall occur.

13 (D) Appeals from the decisions of the Chair re-
14 lating to the application of the rules of the House
15 of Representatives or of the Senate, as the case may
16 be, to the procedure relating to a joint resolution de-
17 scribed in paragraph (1) shall be decided without de-
18 bate.

19 (5) CONSIDERATION BY OTHER HOUSE.—(A) If,
20 before the passage by one House of a joint resolu-
21 tion described in paragraph (1) that was introduced
22 in that House, that House receives from the other
23 House a joint resolution described in paragraph
24 (1)—

1 (i) the resolution of the other House shall
2 not be referred to a committee and may not be
3 considered in the House that receives it other-
4 wise than on final passage under clause (ii)(II);
5 and

6 (ii)(I) the procedure in the House that re-
7 ceives such a resolution with respect to such a
8 resolution that was introduced in that House
9 shall be the same as if no resolution had been
10 received from the other House; but

11 (II) the vote on final passage shall be on
12 the resolution of the other House.

13 (B) Upon disposition of a joint resolution de-
14 scribed in paragraph (1) that is received by one
15 House from the other House, it shall no longer be
16 in order to consider such a resolution that was intro-
17 duced in the receiving House.

18 (6) DATE CERTAIN.—If the Senate and the
19 House of Representatives have not acted upon the
20 joint resolution by September 30th, then on that day
21 or the next day of session thereafter the joint resolu-
22 tion shall be called up by the Presiding Officer of
23 each House upon convening and a roll call vote shall
24 be conducted on passage. If the joint resolution

1 passes one House a vote on final passage shall be
2 immediately conducted in the other House.

3 (7) RULES OF THE SENATE AND HOUSE OF
4 REPRESENTATIVES.—This subsection is enacted by
5 Congress—

6 (A) as an exercise of the rulemaking power
7 of the Senate and House of Representatives, re-
8 spectively, and is deemed to be part of the rules
9 of each House, respectively, but applicable only
10 with respect to the procedure to be followed in
11 that House in the case of a joint resolution de-
12 scribed in paragraph (1), and it supersedes
13 other rules only to the extent that it is incon-
14 sistent with such rules; and

15 (B) with full recognition of the constitu-
16 tional right of either House to change the rules
17 (so far as they relate to the procedure of that
18 House) at any time, in the same manner, and
19 to the same extent as in the case of any other
20 rule of that House.

21 **SEC. 506. BUDGET OUTLAY REDUCTIONS PERMANENT.**

22 All obligational authority reduced pursuant to this
23 title shall be done in a manner that shall make such reduc-
24 tions permanent.

1 **SEC. 507. ADDITIONAL ENFORCEMENT PROVISIONS.**

2 (a) PAYGO SCORECARD.—No reductions in direct
3 spending pursuant to this title shall be treated as a net
4 deficit decrease for purposes of section 252 of the Bal-
5 anced Budget and Emergency Deficit Control Act of 1985.

6 (b) DISCRETIONARY SPENDING LIMITS.—When
7 OMB submits a sequestration report under section 254
8 (g) or (h) of the Balanced Budget and Emergency Deficit
9 Control Act of 1985, OMB shall include downward adjust-
10 ments to discretionary spending limits (in new budget au-
11 thority and outlays) for the budget year and each outyear
12 to take full account of all reductions in discretionary
13 spending pursuant to this title for that fiscal year.

14 **SEC. 508. COMPLIANCE REPORT BY COMPTROLLER**
15 **GENERAL.**

16 Within 15 days after the end of a session of Congress,
17 the Comptroller General shall submit to the Congress and
18 the President a report stating whether the requirements
19 of this title have been complied with and indicating which
20 requirements (if any) have not been complied with.

21 **SEC. 509. AMENDMENTS TO THE BALANCED BUDGET AND**
22 **EMERGENCY DEFICIT CONTROL ACT OF 1985**
23 **TO LIMIT FEDERAL SPENDING.**

24 The Balanced Budget and Emergency Deficit Control
25 Act of 1985 is amended by adding after section 252 the
26 following new section:

1 **“SEC. 252A. LIMITATIONS ON DIRECT SPENDING.**

2 “(a) ENFORCEMENT.—The purpose of this section is
3 to assure that any increase in the annual amount of total
4 Federal spending exceeding the amount resulting from an
5 annual rate of inflation of 2 percent will trigger an offset-
6 ting sequestration.

7 “(b) SEQUESTRATION.—Within 15 calendar days
8 after Congress adjourns to end a session and on the same
9 day as a sequestration (if any) under sections 251 and
10 252, and prior to any sequestration under section 253,
11 there shall be a sequestration to offset the amount of any
12 excess Federal spending in that fiscal year. The amount
13 of excess Federal spending for a fiscal year shall be the
14 amount by which OMB projects total Federal spending for
15 that year to exceed the direct spending limit for that year
16 set forth in the following table:

| Fiscal Year | Outlay limits (in billions of dollars) |
|-------------|--|
| 1996 | 1578 |
| 1997 | 1609 |
| 1998 | 1642 |
| 1999 | 1675 |
| 2000 | 1708 |

17 “(c) ELIMINATING EXCESS FEDERAL SPENDING.—
18 The amount required to be sequestered in a fiscal year
19 under subsection (b) shall be obtained from all non-exempt
20 accounts. Each non-exempt account shall be reduced by

1 the uniform percentage necessary to make the required re-
 2 duction in Federal spending. The uniform reduction re-
 3 quired shall be made without application of the exemp-
 4 tions, limitations, and special rules set forth in sections
 5 255 and 256, except for the following: section 255(a) (with
 6 respect to social security benefits), 255(c) and prior legal
 7 obligations of the Government in sections 255(g)(1) and
 8 255(g)(2).

9 “(d) REPORTS.—The requirements of section 254 for
 10 reports and orders that are applicable to section 252 shall
 11 also apply to this section except that such reports and or-
 12 ders for this section shall refer to and apply the require-
 13 ments, calculations and sequestrations of this section.

14 “(e) RECONCILIATION PROCESS TO AVOID SEQUES-
 15 TRATION.—Whenever an update report for this section in-
 16 dicates that a sequester would be necessary to eliminate
 17 excess Federal spending, the special reconciliation process
 18 set forth in section 258C shall apply for consideration of
 19 alternatives to the order envisioned by such report.

20 “(f) TRIGGER.—This section shall only be effective
 21 if the recommendations of the Spending Reduction Com-
 22 mission established under title V of the Family Invest-
 23 ment, Retirement Savings, and Tax Fairness Act of 1995
 24 are not enacted into law.”

1 **SEC. 510. DEFINITIONS.**

2 As used in this title—

3 (1) the terms “budget outlay”, “outlay”, “new
4 budget authority”, “direct spending”, and “OMB”
5 have the meanings given to such terms by section
6 250(c) of the Balanced Budget and Emergency Defi-
7 cit Control Act of 1985;

8 (2) the term “aggregate Federal spending”
9 shall not include Federal deposit insurance outlays
10 and receipts; and

11 (3) the term “reductions in Federal spending”
12 shall not include any offsetting reductions and
13 receipts.

14 **TITLE VI—ELIMINATION OF SO-**
15 **CIAL SECURITY EARNINGS**
16 **TEST**

17 **SEC. 601. ELIMINATION OF SOCIAL SECURITY EARNINGS**
18 **TEST.**

19 (a) IN GENERAL.—Section 203 of the Social Security
20 Act is amended—

21 (1) in paragraph (1) of subsection (c) and para-
22 graphs (1)(A) and (2) of subsection (d), by striking
23 “the age of seventy” and inserting “retirement age
24 (as defined in section 216(l))”;

1 (2) in subsection (f)(1)(B), by striking “was
2 age seventy or over” and inserting “was at or above
3 retirement age (as defined in section 216(l))”;

4 (3) in subsection (f)(3), by striking “33 $\frac{1}{3}$ per-
5 cent” and all that follows through “any other indi-
6 vidual,” and inserting “50 percent of such individ-
7 ual’s earnings for such year in excess of the product
8 of the exempt amount as determined under para-
9 graph (8),” and by striking “age 70” and inserting
10 “retirement age (as defined in section 216(l))”;

11 (4) in subsection (h)(1)(A), by striking “age
12 70” each place it appears and inserting “retirement
13 age (as defined in section 216(l))”; and

14 (5) in subsection (j), by striking “Age Seventy”
15 in the heading and inserting “Retirement Age”, and
16 by striking “seventy years of age” and inserting
17 “having attained retirement age (as defined in sec-
18 tion 216(l))”.

19 (b) CONFORMING AMENDMENTS ELIMINATING THE
20 SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE
21 ATTAINED RETIREMENT AGE.—

22 (1) UNIFORM EXEMPT AMOUNT.—Section
23 203(f)(8)(A) of such Act is amended by striking
24 “the new exempt amounts (separately stated for in-
25 dividuals described in subparagraph (D) and for

1 other individuals) which are to be applicable” and
2 inserting “a new exempt amount which shall be
3 applicable”.

4 (2) CONFORMING AMENDMENTS.—Section
5 203(f)(8)(B) of such Act is amended—

6 (A) in the matter preceding clause (i), by
7 striking “Except” and all that follows through
8 “whichever” and inserting “The exempt amount
9 which is applicable for each month of a particu-
10 lar taxable year shall be whichever”;

11 (B) in clause (i), by striking “correspond-
12 ing”; and

13 (C) in the last sentence, by striking “an
14 exempt amount” and inserting “the exempt
15 amount”.

16 (3) REPEAL OF BASIS FOR COMPUTATION OF
17 SPECIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of
18 such Act is repealed.

19 (c) ELIMINATION OF REDUNDANT REFERENCES TO
20 RETIREMENT AGE.—Section 203 of such Act is amend-
21 ed—

22 (1) in the last sentence of subsection (c), by
23 striking “nor shall any deduction” and all that fol-
24 lows and inserting “nor shall any deduction be made
25 under this subsection from any widow’s or widower’s

1 insurance benefit if the widow, surviving divorced
 2 wife, widower, or surviving divorced husband in-
 3 volved became entitled to such benefit prior to at-
 4 taining age 60.”; and

5 (2) in subsection (f)(1), by striking clause (D)
 6 and inserting the following: “(D) for which such in-
 7 dividual is entitled to widow’s or widower’s insurance
 8 benefits if such individual became so entitled prior
 9 to attaining age 60, or”.

10 (d) CONFORMING AMENDMENT TO PROVISIONS FOR
 11 DETERMINING AMOUNT OF INCREASE ON ACCOUNT OF
 12 DELAYED RETIREMENT.—Section 202(w)(2)(B)(ii) of
 13 such Act is amended—

14 (1) by striking “either”; and

15 (2) by striking “or suffered deductions under
 16 section 203(b) or 203(c) in amounts equal to the
 17 amount of such benefit”.

18 (e) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply with respect to taxable years begin-
 20 ning after December 31, 1994.

○

S 568 IS—2

S 568 IS—3

S 568 IS—4

S 568 IS—5

S 568 IS—6